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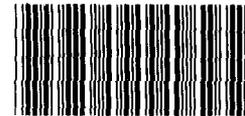
Testimony

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Current AFDC Work Programs  
and Implications for  
Federal Policy

Statement of  
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Before the  
Subcommittee on Social Security  
and Family Policy  
Committee on Finance  
United States Senate



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We appreciate the opportunity to testify before this committee on work programs for AFDC recipients. Our testimony focuses on our nationwide study of employment-related programs run by state welfare agencies, which we conducted at the request of Representative Ted Weiss of New York. Our results and conclusions are described more extensively in our January 29, 1987 report, Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy (GAO/HRD-87-34), which we believe is the most comprehensive source of national data on these programs to date. Today, I would like to focus on some of our most important findings and their implications for future work/welfare programs, but first let me describe the source of our data.

Our review focused on the optional new work programs authorized in 1981 and 1982. Most important in terms of funding and participation were WIN Demonstrations. They are a modified version of the WIN program operated by state welfare agencies. Two of the best known work programs--Massachusetts' ET and California's GAIN--are WIN Demonstrations. The other programs we studied were Community Work Experience Programs, called "CWEPS," in which welfare recipients are required to "work off" their grants; employment search programs; and work supplementation or grant diversion programs, in which AFDC grants are diverted to employers to subsidize jobs or on the job training. These four types of programs were operating in 38 states during 1985. We did not examine regular WIN programs.

Through a mail questionnaire, we collected fiscal year 1985 data on all of the 61 programs in the four categories I have mentioned that were operating in that year. The programs we surveyed ranged from major state initiatives, such as ET in Massachusetts, to small demonstration projects, such as projects in South Carolina and Ohio to train AFDC recipients as home day care providers. To get more in-depth information than that provided by our questionnaire, we visited programs in 12 states, selected for their diversity.

The experiences of the current programs have a number of implications that the Congress should consider in developing a new program to replace WIN and the other work/welfare programs. I will briefly describe our most important findings and their implications for policy.

#### PARTICIPANTS AND SERVICES

First, concerning participation, current AFDC work programs are serving a minority of the AFDC caseload. In WIN Demonstration states, where our survey included all the work programs serving AFDC recipients, we estimated that these programs reached about 22 percent of all the adults who were on AFDC during fiscal year 1985. Moreover, an unknown proportion of the people counted as participants received no services other than an orientation or assessment.

Unfortunately, the people being left out of the work programs include many who might have the greatest need for the services and could yield the greatest savings to the welfare

system. For example, of the 50 programs with registration or participation requirements, only 14 required women with children under 6 years old to register or participate. While some programs encourage these women to participate as volunteers, others have neither the capacity nor the child care funds necessary to serve them. Yet, research shows that young, unmarried women who enter AFDC when their children are less than 3 years old are the group at greatest risk of spending at least ten years on AFDC. Delaying a woman's exposure to the labor market until her youngest child turns 6 may decrease potential welfare savings and put her at a disadvantage in the labor market because of her years on public assistance and lack of recent work experience.

Another group that may be underserved by the work programs are welfare recipients who need education, training or support services before they are considered ready for jobs. Although there is little usable data on the characteristics of work program participants, we observed that some programs exclude people with multiple or severe barriers to employment such as poor reading skills, attitudinal problems, medical problems, or child care and transportation needs. Like women with young children, people with low levels of education and work experience are at risk of becoming long-term AFDC recipients. Yet, research shows that they benefit most from employment and training programs. Thus, serving them could produce the greatest benefits in the long run.

Although they are only serving a minority of adult AFDC recipients, states appear to be spreading their resources thinly to serve as many people as possible rather than providing more intensive--and expensive--services to fewer people. While WIN Demonstrations were intended to be comprehensive programs providing a range of services including training and education, the predominant service provided is job search assistance, a relatively inexpensive service designed to place participants in jobs immediately, rather than improve their skills first.

Lack of resources is a major reason for the emphasis on job search assistance: three-fourths of the WIN Demonstrations spent less than \$600 per participant. As a result, many programs must rely on other sources, such as the Job Training Partnership Act (JTPA) and local education systems, to serve participants who need education and training. But these programs may themselves be unable to serve all eligible AFDC recipients. A recent study of JTPA showed that service providers often selected those eligibles who were most job-ready and rejected those with low levels of education or experience.<sup>1</sup>

To participate in work programs, AFDC recipients often need support services, such as child care, transportation, or counseling on personal problems. However, work programs spend little money on these services. While almost all programs offered child care assistance to their participants, half spent

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<sup>1</sup> Gary Walker, Hilary Feldstein, and Katherine Solow, An Independent Sector Assessment of the Job Training Partnership Act (Grinker, Walker and Associates, 1985).

less than \$34 per participant for this purpose. The programs depended instead on other sources, such as state and Social Services Block Grant funds. However, as in the case of training and education, these sources are often insufficient to meet the needs of the eligible population. For example, program staff told us that shortages of state subsidized child care slots were a major problem. As a result, program staff reported that they had to exempt some people who were in need of child care, transportation, or other support services that the programs could not provide.

Overall, our findings about participation, activities, and support services suggest that work programs are excluding the people who need the most help--in terms of child care, education, or training--before they are ready to go to work. Yet, serving these people could produce the highest long-run payoffs. While it would involve higher short-term costs, it is also likely to yield greater long-term savings.

These findings have several implications for policy. Requiring states to serve a fixed proportion of their caseload, with limited funds, may discourage the provision of more intensive services. It would exacerbate the current tendency to spread funds thinly over large numbers of people by providing low-cost services that do little to enhance employability. This may well be helping the AFDC recipients who are likely to find jobs on their own rather than those who will be unable to find work without intensive help.

The Congress might want to consider encouraging or requiring states to give priority to AFDC recipients who are harder to employ because of low levels of education or work experience. Increasing the participation of women with children under 6 is also a worthwhile goal in terms of reducing AFDC rolls, but whether these women should be required to participate or simply encouraged to volunteer is a difficult question in light of concerns about adequate care for the children and conflicting opinions about the value of mothers staying home with their children. Some programs have succeeded in serving this population. For example, no AFDC recipients are exempt from Oklahoma's Employment and Training Program (called E&T) based on the age of their children. In 1985, parents of children under 6 were 70 percent of E&T registrants and 68 percent of those who found employment.

Concerning funding, serving AFDC recipients who need more intensive services or support will require either increasing overall work/welfare funding or expanding or retargeting other programs, such as JTPA and the Social Services Block Grant, to enable them to serve more welfare recipients. Providing federal matching funds for job search and work experience and not for education and training, as has been proposed, could discourage states from providing these services.

#### PROGRAM RESULTS

The Manpower Demonstration Research Corporation (MDRC) found that AFDC work programs in four of five states it studied had

modest positive effects on their participants, raising their employment rates by 3 to 7 percentage points. Data from our survey of 61 programs show that most participants were placed in low-wage jobs, with a median hourly wage of \$4.14. In half the programs, fewer than 48 percent of the participants left AFDC after finding work, although their AFDC grant amounts were lowered. This is due to the low-wage and/or part-time nature of the jobs found.

The modesty of the results may be related to the tendency of programs to provide low-cost services that do not enhance employability in higher-wage and/or full-time positions. The programs' impacts may also be limited by the difficulty of making the transition to work for AFDC recipients, whose earnings may not make up for decreased AFDC, Food Stamp, and Medicaid benefits and increased child care, transportation, and other work expenses. Some states, such as Massachusetts and New York, do continue child care assistance for 9 months or a year after a welfare recipient is placed in a job. Also, since these programs do not create new jobs, they depend on the ability of the local economy to provide them.

Program success is often measured in terms of placement rates. Yet, this measure is not sensitive to the ability of the job to sustain a family off the AFDC rolls for the long term, or to the differing economic conditions and participant characteristics facing different programs.

The information we have on program effects has several implications for work/welfare policy. First, the positive results are promising, but the modesty of these effects cautions against unrealistic expectations about their effect on the welfare rolls. However, it might be possible to produce better long-term results by strategies mentioned earlier, such as increasing the intensity of services or serving more recipients who are harder to employ. Program results could also be improved by providing continued assistance with child care, transportation, and health care for program participants who are placed in jobs.

There are also implications regarding the measurement of success. Developing more sophisticated measures of performance than are currently used, including interim progress in achieving skills or quality of the jobs found, would aid in program assessment and could encourage serving the hard-to-employ or providing intensive services. Caution should be used before developing performance standards to reward or penalize states, to ensure that the standards are sophisticated enough to reflect differences in local conditions and clientele served.

#### ADMINISTRATIVE ISSUES

The current AFDC work programs are a patchwork of administrative responsibilities and funding. The regular WIN program continues to be administered jointly by the Department of Labor and the Department of Health and Human Services (HHS) and, at the state level, by the welfare and employment security

agencies. The WIN Demonstrations and the other three work programs, however, are administered solely by HHS and state welfare agencies. At the state level, this administrative division can result in duplication and inefficiency, impeding development of coherent work programs. The new requirement to establish Food Stamp work programs means that states must follow still another set of regulations and reporting requirements.

The different work program options also receive disparate rates of federal financial participation. The federal government provides 90 percent of the funding for WIN (including WIN Demonstrations) up to a state's maximum allocation. The CWEP, job search, and work supplementation options receive 50 percent matching grants, which are not capped. Thus, by adopting one of these latter work programs, a state can supplement its capped WIN funds with uncapped funds. This may lead to an emphasis on activities allowable under these authorities, such as CWEP and job search. Between 1981 and 1987, WIN funds declined by 70 percent, limiting the resources available for the more intensive types of services--education and training.

We found that individual programs displayed a great variety in their dependence on federal funding: for example, the proportion of federal funding in WIN Demonstrations ranged from 42 to 96 percent, with half receiving less than 80 percent. The variation reflects states' differing degrees of commitment and ability to support their work programs beyond the amount they are required to contribute.

Our findings on administration and funding have several implications. The multiplicity of program options allows states to tailor their programs to their own local needs and to be creative in trying different approaches. Flexibility does not, however, necessarily require multiple program authorizations. Authorizing one program that permits a range of services would give the states flexibility to meet their local needs and help resolve the division of administrative responsibility.

Providing stable federal funding with a uniform matching rate for all options would help states plan their programs and emphasize the services they believe are most appropriate. A number of different federal matching rates have been proposed for a new welfare employment program. Our results suggest that while some states would maintain their work program efforts if the federal matching rate were lower than the current 90 percent for WIN, others that are currently very dependent on federal funding might cut back their programs.

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In concluding this testimony, it is important to mention that aggregate data can obscure the innovation and dynamism that is evident in many programs. On our visits we saw many examples of this: the welfare office in Bangor, Maine, which keeps a closet of clothes for program participants to wear to interviews; the high-level official in New York City's welfare department, who personally negotiates with other agencies to create jobs for AFDC recipients; and the cooperative relationship between

Michigan's welfare and education agencies, which results in one-third of its WIN Demonstration participants being placed in educational programs.

That concludes my prepared statement; we would be pleased to answer any questions you may have.